

Message Text

SECRET

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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O P 091324Z MAR 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 6338

INFO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

AMEMBASSHT VIENNA

S E C R E T JIDDA 1137

EXDIS

KUWAIT PASS DOHA AND MUSCAT; BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, XF, SA

SUBJECT: YAMANI: EMBARGO TO BE ENDED AND
PRICES WILL BE LOWERED

REF: A. JIDDA 682 (NOTAL); (B) JIDDA 691; (C) STATE 45027 (NOTAL)

SUMMARY: YAMANI REAFFIRMED ON MARCH 8 THAT AT CAIRO
MEETING MARCH 10 EMBARGO WOULD BE LIFTED. HE PREDICTED
AGAIN THAT OIL PRICES WOULD BE FORCED DOWN IF NECESSARY

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BY SAG TO ABOUT \$6 A BARREL GOVERNMENT TAKE. SAUDI

ARABIA UNLIKELY FOLLOW LEAD OF IRAN OR KUWAIT ON HELP TO THE LDC'S BUT THERE MAY BE ADVANTAGES IN THIS. END SUMMARY.

1. AHMAD ZAKI YAMANI, SAUDI PETROLEUM MINISTER, TOLD THE AMBASSADOR LAST NIGHT (MARCH 8) HE IS GOING TO CAIRO SUNDAY MORNING, MARCH 10, FOR THE SCHEDULED MEETING OF THE ARAB PETROLEUM MINISTERS. HE HAD NOT HEARD OF THE POSSIBILITY THAT IT MIGHT BE POSTPONED UNTIL MARCH 17.

2. ZAKI YAMANI REPEATED HIS ASSURANCES (REF A) THAT THE BOYCOTT WOULD BE LIFTED MARCH 10. HE MENTIONED WITH SOME GLEE THAT HIS REMARKS EARLIER IN THE WEEK TO THE "WALL STREET JOURNAL" ABOUT THE BOYCOTT HAD LIFTED DOW JONES AVERAGE BY 20 POINTS. THE AMBASSADOR POINTED OUT THAT IT DROPPED 10 POINTS ON MARCH 7; HE SAID THE "WALL STREET JOURNAL" WAS AS WARY ABOUT PREDICTIONS OF THE IMMINENT LIFTING OF THE BOYCOTT AS WAS THE DEPARTMENT OF STATE.

3. YAMANI SAID HE WOULD LEAVE IMMEDIATELY AFTER THE CAIRO MEETING FOR THE EXTRAORDINARY OPEC MEETING IN VIENNA. HE REPEATED (REF B) THAT OIL PRICES WILL BE BROUGHT DOWN. HE SAID HE HAD BEEN IN CONTACT WITH OTHER OPEC MEMBERS AND GOT NO SUPPORT FROM ANY OF THEM. BUT, HE SAID, SAUDI ARABIA WAS THE ONLY PRODUCER IN OPEC WHICH REALLY COUNTED. YAMANI SAID HE WOULD TELL HIS COLLEAGUES THAT IF THEY WOULDN'T AGREE TO REDUCE PRICES, SAUDI ARABIA WOULD INCREASE OIL PRODUCTION TO 10-12 MILLION BARRELS A DAY VERY SOON, "AND THAT WILL DO IT."

4. THE AMBASSADOR ASKED WHAT PRICE HE WAS CONSIDERING. YAMANI SAID HE WOULD PROPOSE THAT GOVERNMENT TAXES IN THE GULF BE REDUCED FROM ABOUT \$7/BBLs AT PRESENT TO \$5-\$5.50; THAT HE WOULD PROBABLY HAVE TO SETTLE FOR \$6. THE AMBASSADOR SAID THIS WAS GOOD BUT EVEN THE LOWER FIGURE WOULD BE MORE THAN ECONOMIES OF MANY COUNTRIES COULD TOLERATE. SAUDI ARABIA WOULD STILL HAVE TO CONSIDER WHAT IT COULD DO TO HELP THE POORER COUNTRIES

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OF ASIA, AFRICA, AND LATIN AMERICA TO PAY FOR THEIR IMPORTED ENERGY.

5. YAMANI REPLIED THAT SAUDI ARABIA UNDERSTOOD THIS VERY WELL AND WOULD BE DOING "SOMETHING."

6. THE AMBASSADOR ALSO DISCUSSED WITH YAMANI THE NEW PROPOSALS FOR SAUDI ARABIA-U.S. COOPERATION (REF C)

YAMANI'S VIEWS (POSITIVE AND HELPFUL) WILL BE INCLUDED
IN AMBASSADOR'S REPORTS FROM RIYADH.

7. COMMENT: SAUDI ARABIA WILL HAVE TO COME UP WITH
SOME FORMULA OF ITS OWN ON LOANS OR ECONOMIC ASSISTANCE
TO THE LDC'S. IT WILL NOT FOLLOW ANY LEAD SET BY IRAN
OR KUWAIT. BUT THERE'S NOTHING WRONG WITH THIS. IF
SEVERAL ARAB STATES AND IRAN ARE COMPETING IN DOING GOOD
WORKS, THE POOR WILL BE HELPED AND OPEC WILL BE LAYING
UP TREASURES IN HEAVEN.
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